

Message Text

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ACTION XMB-07

INFO OCT-01 NEA-14 ISO-00 AID-20 CIAE-00 COME-00 EB-11

FRB-03 INR-11 NSAE-00 RSC-01 TRSE-00 OPIC-12 SP-03

CIEP-03 LAB-06 SIL-01 OMB-01 DRC-01 /095 W

----- 116183

R 250616Z JUL 74

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 2887

INFO AMCONSUL BOMBAY

AMCONSUL CALCUTTA

BUSBAS/AMCONSUL MADRAS 911

LIMITED OFFICIAL USE NEW DELHI 9890

PASS EXIM

E.O.: 11652: N/A

TAGS: EFIN, IN

SUBJECT: EXIM BANK LOANS

1. AS WE REPORTED IN NEW DELHI'S 9831, FINANCE MINISTRY JOINT SECRETARY BAIJAL PLANS TO VISIT WASHINGTON IN EARLY AUGUST TO TALK TO THE EXIM BANK REGARDING VARIOUS PENDING LOANS. BAIJAL EXPRESSED EXTREME DISAPPOINTMENT WITH EXIM REJECTION OF THE J AND K TIRE PROJECT AND CONCERN THAT EXIM WILL REJECT TWO FURTHER TIRE PROJECTS, WHICH ARE VERY SIMILAR. HE STATED THAT EXIM HAD INFORMALLY PREVIOUSLY ASSURED GOI THAT THE CHANCES OF APPROVAL FOR ALL OF THE PROJECTS WERE GOOD AND HE SPECULATED WHETHER THERE WERE POLITICAL REASONS FOR THE REJECTION. HE WAS ALSO CONCERNED ABOUT INCREASED EXIM INTEREST RATES AND WILLINGNESS ONLY TO CONSIDER FINANCING 30 PERCENT OF THE TRANSACTION. THESE POINTS, HOWEVER, SEEMED TO BE OF SECONDARY CONCERN.

2. ON BASIS OF HIS MEETING WITH EXIM EARLIER THIS MONTH, ECONOMIC COUNSELOR ASSURED BAIJAL THAT NO POLITICAL CONSIDERATIONS WERE INVOLVED IN THE REJECTION. FINANCIAL ANALYSIS
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HAD RAISED DOUBTS ABOUT CERTAIN ASPECTS OF PROPOSAL AND

THE BANK ASSURANCES INVOLVED BUT ALL POINTS REMAINED OPEN TO REVIEW AND RECONSIDERATION. BAIJAL POINTED OUT THAT BANKS INVOLVED WERE ALL GOI OWNED AND THAT ICICI AND THE GOI ITSELF HAD REVIEWED THE PROJECTS AND STOOD BEHIND THEM. HE CONCLUDED BY STATING THAT GOI HAD DELIBERATELY CHOSEN TO REOPEN ITS CONTACTS WITH EXIM AS A NON-POLITICAL MOVEMENT TOWARD CLOSER TIES WITH THE U.S. IF THESE LOANS WERE REJECTED, PARTICULARLY FOR NON-CONVINCING REASONS, THE GOI WOULD HAVE TO ASSUME THAT POLITICAL FACTORS WERE INVOLVED IN THE REJECTION.

3. COMMENT: IT IS IMPOSSIBLE FOR US TO JUDGE FROM HERE THE TECHNICAL AND FINANCIAL FEASIBILITY OF SPECIFIC PROPOSALS. HOWEVER, GOI AND ICICI INVOLVEMENT AND GUARANTEE WOULD APPZGBLEY ARGUE FOR A WELL THOUGHT OUT AND CERTAINLY RISKLESS PROPOSAL. ON THE OTHER HAND, EXIM REJECTION WILL NOT ONLY COST THE US EXPORT SALES (THERE IS NO OTHER AVAILABLE SOURCE OF CONCESSIONAL FINANCING IN THIS MARKET), BUT ALSO IS LIKELY TO SET BACK THE DEVELOPMENT OF U.S. ECONOMIC AND POLITICAL RELATIONS WITH INDIA. WE HOPE THAT EXIM WILL CONSULT FULLY AND FRANKLY WITH BAIJAL AND THAT IF THE PROJECTS ARE FOUND TO BE SOUND THAT EXIM APPROVAL WILL BE QUICKLY GRANTED.
KREISBERG

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